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REGULAR MEETING  
STATE LANDS COMMISSION  
STATE OF CALIFORNIA

ROOM 447  
STATE CAPITOL  
SACRAMENTO, CALIFORNIA

THURSDAY, AUGUST 20, 1987  
10:20 A.M.

Nadine W. Parks  
Shorthand Reporter

ORIGINAL

**PETERS SHORTHAND REPORTING CORPORATION**

3336 BRADSHAW ROAD, SUITE 240  
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MEMBERS PRESENT

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2  
3 Leo T. McCarthy, Lieutenant Governor, Chairman  
4 Jesse R. Huff, Director of Finance, Commissioner  
5 Jim Tucker for Gray Davis, State Controller, Commissioner  
6  
7  
8

STAFF PRESENT

9  
10 Claire Dedrick, Executive Officer  
11 James F. Trout, Assistant Executive Officer  
12 Robert C. Hight, Chief Counsel  
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Sue Breece, Executive Secretary

I N D E X

	<u>Page</u>
1	
2	
3	Approval of Minutes of August 3, 1987 meeting 1
4	Opening Remarks by Chairman McCarthy 1
5	Statement by Commissioner Huff re vote to
6	pursue lawsuit against Secretary Hodel-
	Department of Interior 2
7	Rebuttal Statement by Chairman McCarthy 3
8	Statement by Commissioner Tucker 5
9	Consent Calendar C-1 through C-12, with the
	exception of C-5, which was taken off calendar 7
10	<u>Regular Calendar Items</u>
11	Item 13 7
12	Item 14 7
13	Item 15 (Off Calendar)
14	Item 16 8
15	Item 17 (Off Calendar)
16	Item 18 8
17	Item 19 8
18	Item 20 9
19	Item 21 9
20	Item 22 (Off Calendar)
21	Item 23 9
22	Item 24 10
23	Item 25 (Off Calendar)
24	Item 26 10
25	Item 27 11

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	<u>Page</u>
1 INDEX, continued. . .	
2 Item 28	11
3 Adjournment	11
4 Certificate of Reporter	13
5	
6	
7	
8	
9	
10	
11	
12	
13	
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P R O C E E D I N G S

--oOo--

1  
2  
3 CHAIRMAN MC CARTHY: Good morning, ladies and  
4 gentlemen. This is a meeting of the State Lands Commission.  
5 My name is Leo McCarthy. I'm the Chair.

6 Sitting on my right is Commissioner Jesse Huff,  
7 Director of Finance. On my left, Commissioner Jim Tucker,  
8 who is representing the Controller here.

9 I'd like to mention at the outset that there were  
10 some items that are off calendar. They are C-5, then  
11 15, 17, 22, and 25.

12 Any of you who are here on those items, please  
13 know they will not be taken up today.

14 Minutes of the last meeting? We'll go through  
15 this. Any corrections? All right. They're approved.

16 All right. First item.

17 COMMISSIONER HUFF: Mr. Chairman, I suspect  
18 there are some people here, probably attorneys, who are  
19 curious about the outcome of the vote on at least one  
20 item that had been discussed publicly and discussed today  
21 in the Executive Session. That would pertain to a  
22 potential lawsuit.

23 CHAIRMAN MC CARTHY: The State Lands Commission  
24 in Executive Session voted two to one to pursue a lawsuit  
25 against the Secretary of Interior Hodel's five-year plan.

1           Either Commissioners want to make any comment  
2 on that action?

3           COMMISSIONER HUFF: I think I would. I think  
4 I must object very strongly to the course the Commission's  
5 considering and pursuing. I think basically that we have  
6 a weak -- potential for a very weak lawsuit. I think that  
7 the National Environmental Policy Act has a statute of  
8 limitations that has already run, that being 30 days; that  
9 the OCS Lands Act has a process spelled out in it that, as  
10 far as I can determine, is being followed.

11           The Federal Supreme Court has, in fact, approved  
12 this process in the last five-year plan. What we are  
13 discussing really is that the five-year plan is only a  
14 plan. It's only a plan document. There will be and has  
15 to be in the process a further EIS considerations prepared  
16 on each step as it becomes operational.

17           I think this circumvents the process. The  
18 Governor has made extensive comments on the five-year plan  
19 and has forwarded those to Interior. Interior -- the  
20 Department of Interior has responded to all of those  
21 comments. In fact, the Department of Interior has agreed  
22 to deletions, which is really the first time that such  
23 agreements have been obtained from Interior.

24           And I'm afraid that a frivolous lawsuit at this  
25 time may, in fact, jeopardize negotiations that are

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1 continuing in this process. And again, the process is one  
2 that is spelled out in law and has long been observed.

3 Finally, I think that this action and the  
4 premature announce that was made yesterday could be  
5 considered a violation of the open meeting law of this  
6 State, at least in spirit if not in the letter.

7 The law says that we cannot discuss matters  
8 except in a properly noticed meeting. In fact, it  
9 appears that the decision was made 24 hours in advance  
10 of the meeting. I'm a member of the State Lands Commission.  
11 As far as I can tell, my vote counts in all these matters.  
12 I didn't receive these materials until yesterday.

13 CHAIRMAN MC CARTHY: I would make these comments.  
14 The State Lands Commission is a party under Federal and  
15 State law to the review process in the implementation of  
16 the OCS law. And we quite properly may bring this  
17 lawsuit.

18 I suppose whether there's justification in the  
19 lawsuit is in the eye of beholder or the satisfaction each  
20 of us may have with how Secretary Hodel or the Federal  
21 Government has addressed concerns of innumerable California  
22 citizens who have testified in public hearings and --  
23 through the mail and any number of ways -- with Federal  
24 officials on how we achieve a balance between oil drilling,  
25 management of coastal resources, and environmental

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1 concerns. We all travel around California, and I encounter  
2 pervasive across-the-board dissatisfaction with Hodel's  
3 answer. Many people two years ago -- and I was one of  
4 them -- appeared as a witness in a series of hearings that  
5 Secretary Hodel held throughout California.

6 At that time, he'd been negotiating with members  
7 of the California delegation. They had reached a  
8 tentative -- and I emphasize tentative -- compromise of  
9 150 tracts off the coast that would be appropriate for  
10 drilling, while recognizing other areas as environmentally  
11 sensitive.

12 It was quite appropriate to amend, even in  
13 substantial ways, that tentative accord that was reached  
14 after months of discussions between Hodel on the one side  
15 and our congressional delegation on the other side.

16 Instead, what happened, of course, is that  
17 Secretary Hodel walked away from that tentative  
18 compromise and now his five-year proposal goes  
19 lopsidedly to the side of oil drilling.

20 We suggest there is a dual set of important  
21 policies that we want to pursue here: oil drilling where  
22 it makes sense and protection of environmentally sensitive  
23 areas of the coast. And we don't think that the Hodel  
24 proposal achieves that. Obviously, many members of the  
25 California delegation in Congress don't believe that either

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1 because they fight yet for moratoriums to attach conditions  
2 to budget authorization items. And so we feel this is a  
3 very open and entirely appropriate way.

4 Now, final comment. The reference to the  
5 Open Records Act. I'm somewhat familiar with that Act. I  
6 authored laws extending it when I was in the Legislature.  
7 And what was said at the press conference yesterday was  
8 clearly articulated: There was going to be a State Lands  
9 Commission meeting today and the attempt would be made  
10 to put this matter for a vote. I don't think the position  
11 stated yesterday by either Controller Davis or by myself  
12 are a surprise to anyone, and in any manner inconsistent  
13 with these long series of public statements we've been  
14 making on these related matters on this subject for  
15 several years.

16 Commissioner Tucker, did you want to make any  
17 comment?

18 COMMISSIONER TUCKER: Just briefly. I think a  
19 couple of things were left out by Mr. Huff's statement.

20 First of all, as Lieutenant Governor McCarthy  
21 indicated, the Lands Commission has long, publicly, taken  
22 a position in opposition to the proposed plan, including  
23 letters of objection written by the Controller, written  
24 by the Lieutenant Governor.

25 The action today of the Lands Commission was

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1 the result of a recommendation by the Attorney General  
2 that this lawsuit must be filed in order to protect  
3 California's coast. That was an obligation, in effect,  
4 that the Lands Commission is concerned about protecting  
5 our coastline.

6 And finally, I think it's important to note  
7 that the reason the Lands Commission had to act in this  
8 area is because of the failure of the Governor to really  
9 provide the kind of leadership California needs on this  
10 issue.

11 The Governor's decided to side with the  
12 administration, with the Secretary of the Interior, rather  
13 than with the interests of Californians and the interest  
14 of the California coastline. That's the reason that the  
15 Lands Commission has had to act. This is an action that  
16 should have been taken by the Governor and by the other  
17 agencies in the administration that are concerned about  
18 this issue in conjunction with the Lands Commission. But  
19 the Lands Commission has had to take the leadership on  
20 this. And I think that's an important point to note.

21 Finally, the suggestion that, well, this is only  
22 a plan and it shouldn't be challenged, because it's only  
23 a plan, there's a long ways to go -- I think that's the  
24 deficiency in this. It isn't a plan. It isn't anything,  
25 other than, let's lease those pieces of property. And

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1 then we'll see, according to Secretary Hodel, what happens.  
2 We'll see what the implications are, and we'll work all  
3 this out as we go down the line.

4 That's not good government, not intelligent  
5 planning, and the Lands Commission has indicated by its  
6 action that it doesn't want to be part of it.

7 CHAIRMAN MC CARTHY: Thank you. If we may proceed  
8 to the file. The consent calendar is 1 through 12, minus  
9 5, which is pulled.

10 Any questions? All right. The consent calendar  
11 is acted upon.

12 13.

13 EXECUTIVE OFFICER DEDRICK: Item 13 is a -- the  
14 applicant is Standard Pacific L.P. It's an authorization  
15 as both the State Lands Commission and the School Land  
16 Bank Trustee, in this stance, Commissioners, to tell and  
17 subsequently issue a patent to this company for a 1.17  
18 acre parcel of land for a road right-of-way, which will  
19 allow that company to build a road which will give the  
20 State Lands access to a parcel that is part of the  
21 School Land Trust area where we do not now have access.

22 CHAIRMAN MC CARTHY: Questions by either  
23 Commissioners? From the audience? Any question about  
24 this? Approved. Item 14.

25 EXECUTIVE OFFICER DEDRICK: All right. Item

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1 14, Mr. Robert Shamblin. This is a staff recommendation  
2 to deny the application for a new lease for the continued  
3 use of sovereign lands for residential purposes.

4 CHAIRMAN MC CARTHY: Any questions by the  
5 Commissioners? From the audience? Approved. The  
6 recommendation's approved. Item 16.

7 EXECUTIVE OFFICER DEDRICK: This is First South  
8 Savings Association, recognition of First South Savings  
9 as a lessee on Leases 6504, 05, and 06, as a result of its  
10 having foreclosed on its loan to the Burlingame Joint  
11 Venture, the State's former tenant on the De Anza landfill  
12 in Burlingame in San Mateo County.

13 CHAIRMAN MC CARTHY: Questions from the  
14 Commissioners? From the audience? All right. That's  
15 approved. Item 18.

16 EXECUTIVE OFFICER DEDRICK: Item 18 is  
17 consideration of proposed cogeneration facility. Staff  
18 recommends that we ask the city to put to bid a proposal  
19 for a power purchase contract to see if there's someone  
20 out there who wants to cogenerate at Wilmington Field.

21 CHAIRMAN MC CARTHY: Any questions from members  
22 of the Commission? From the audience? All right.  
23 Recommendation is approved. 19.

24 EXECUTIVE OFFICER DEDRICK: 19, request for  
25 authority to put out a proposal for crude oil sale on

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1 several leases in Los Angeles, Orange, and Santa Barbara  
2 Counties. That's royalty oil sales, excuse me.

3 CHAIRMAN MC CARTHY: Questions from the  
4 Commissioners? From the audience? Recommendation is  
5 approved. 20.

6 EXECUTIVE OFFICER DEDRICK: The Termo Company,  
7 approval of issuance of negotiated subsurface lease on  
8 93 acres of land in the bed of the Sacramento River in  
9 Butte and Glenn Counties. The applicant is the adjacent  
10 leaseholder.

11 CHAIRMAN MC CARTHY: Questions from the  
12 Commission? From the audience? That's approved as  
13 recommended. 21.

14 EXECUTIVE OFFICER DEDRICK: 21, Southern Desert  
15 Gold Corporation, approval of an extension of a permit  
16 to prospect for minerals other than oil, gas, and  
17 geothermal in Riverside County.

18 CHAIRMAN MC CARTHY: Questions from the  
19 Commission? From the audience? 21 is approved. 23.

20 EXECUTIVE OFFICER DEDRICK: Item 23, the United  
21 States Geological Survey, applicant, to do some groundwater  
22 monitoring and sampling in Inyo County to see -- looking  
23 for an area that would be suitable for a high-level nuclear  
24 waste dump.

25 CHAIRMAN MC CARTHY: Any questions from the

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1 Commissioners? Questions from the audience? Approved as  
2 recommended. 24.

3 EXECUTIVE OFFICER DEDRICK: 24 is the City of  
4 Laguna Beach. It's the consideration of consent from  
5 the property owner, State Lands, for the City of Laguna  
6 Beach to annex tide and submerged lands near the city  
7 in Orange County.

8 CHAIRMAN MC CARTHY: Questions from the  
9 Commission? From the audience? Approved as recommended.  
10 26.

11 EXECUTIVE OFFICER DEDRICK: 26 is an informational  
12 report on negotiations that the Commission's staff has  
13 been carrying out with the Sheriff's Office and various  
14 property owners in the area of Sarah Court in Carmichael  
15 along the American River.

16 Staff proposes to come to boundary line  
17 agreements with the adjacent property owners and to  
18 propose that the Commission approve a lease to the County  
19 of Sacramento for the management of the property.

20 CHAIRMAN MC CARTHY: Any questions from the  
21 Commission?

22 EXECUTIVE OFFICER DEDRICK: You don't need to  
23 take any action on that.

24 CHAIRMAN MC CARTHY: Any questions on the  
25 information? Thank you for the information. All right.

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1 27.

2 EXECUTIVE OFFICER DEDRICK: 27, we ask you to  
3 accept a report of the School Land Management recommenda-  
4 tion that the staff has prepared and give us the authority  
5 to deliver that report to the State Teachers' Retirement  
6 System.

7 CHAIRMAN MC CARTHY: Any questions from members  
8 of the Commission? Anybody in the audience interested  
9 in this report? Thank you very much for the information --  
10 for the recommendation.

11 Next item.

12 EXECUTIVE OFFICER DEDRICK: The next item are  
13 the revenues for the Fiscal Year 86-87 from the tidelands  
14 oil and from the geothermal operations on School Land,  
15 and the estimated revenues for 87-88, and 88-89.  
16 Do you --

17 CHAIRMAN MC CARTHY: Any comments on these  
18 estimates?

19 All right. Commissioner Tucker?

20 COMMISSIONER TUCKER: Where the estimate goes  
21 down in 88-89, is that a reduction in production or is  
22 that an assumption as to price?

23 EXECUTIVE OFFICER DEDRICK: Mr. Thompson, would  
24 you respond, please?

25 MR. THOMPSON: Actually, it's a reduction in

1 rate and assumption in price. And there's some  
2 nonreoccurring items that come up in the 87-88 that won't  
3 be in there. For example, the \$26 million settlement  
4 for the windfall profits tax suit won't be repeated.  
5 And there will be an equity change that won't be carried  
6 over into 88-89.

7 CHAIRMAN MC CARTHY: Anything further?

8 EXECUTIVE OFFICER DEDRICK: That's it.

9 CHAIRMAN MC CARTHY: This Commission meeting  
10 is over. Thank you very much.

11 (Thereupon the meeting was  
12 adjourned at 10:40 a.m.)

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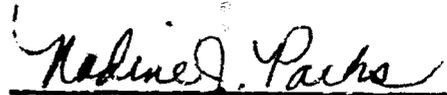
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CERTIFICATE OF SHORTHAND REPORTER

I, Nadine J. Parks, a shorthand reporter of the State of California, do hereby certify that I am a disinterested person herein; that the foregoing meeting before the State Lands Commission was reported in shorthand by me and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of September, 1987.

  
\_\_\_\_\_  
Nadine J. Parks  
Shorthand Reporter

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